

**Castrol India Limited**

COMPANY SNAPSHOT					
CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs147	Rs223	Rs200	36%	BUY	Rs145

**About the Company:**

With a plethora of products such as manual and automatic transmission fluids, chain lubricants and waxes, coolants, suspension fluids, brake fluids, greases, cleaners and maintenance products; Castrol India (Castrol) is the world leading manufacturer, distributor and marketer of premium lubricating oils, greases and related products in India as well as abroad. The company not only caters services to automotive segment, but also to non-automotive segments like industrial, marine, aviation, oil exploration and production to mention a few. Castrol markets automotive lubricants under two brands namely Castrol and BP.

**Results Declared:**

- The net sales for the quarter clocked a growth of 7.6% at Rs9,269mn as compared to Rs8,614mn in the same quarter last year.
- The EBITDA margins stood at 24.5% for the quarter, lower by 490bps as compared to the corresponding quarter last year majorly led by the increase in raw material costs (base oil price fluctuation) coupled with an uptick in the other expenses as well.
- The Other income for the quarter appears to be lower as the same quarter last year includes a one time property sale to the tune of Rs186mn.
- The net profit for the quarter was down by 15.5% at Rs1,504mn as compared to Rs1,782mn in the same quarter last year.
- The EPS stands at Rs1.5

**Other Highlights:**

- The company has geared up with its distribution network reaching 150,000 outlets across rural and urban markets.
- Castrol India has recently entered into a strategic partnership with Mahindra & Mahindra to endorse a range of Castrol products which include aftermarket engine oils and transmission fluids for Mahindra tractors.
- As per the management, approximately 90% of the growth in volumes is attributable to the new launches taken place over the last twelve months.
- Company's key brands include Castrol Activ, Castrol MAGNATEC and Castrol CRB TURBOMAX. To add to the gamut of lubricants, the company recently launched Castrol POWER1 range of lubricants for the bikes.

**Financials:**

Result Update (Q3CY2018)									
Q3CY18 Result (Rs mn)	Sept-18	Sept-17	y-o-y	June-18	q-o-q	9MCY18	9MCY17	y-o-y	CY18E
Total Income	9,269	8,614	7.6%	10,172	(8.9%)	28,712	26,140	9.8%	38,900
EBITDA	2,274	2,536	(10.3%)	2,517	(9.7%)	7,534	7,264	3.7%	10,502
Other Income	186	333	(44.1%)	173	7.5%	587	673	(12.8%)	823
Interest	(2)	2	-	3	-	8	6	33.3%	20
Depreciation	135	111	21.6%	132	2.3%	410	352	16.5%	546
Exceptional Items	0	0	-	0	-	0	0	-	0
Tax	823	974	(15.5%)	913	(9.9%)	2,739	2,628	4.2%	3,766
Net Profit	1,504	1,782	(15.6%)	1,642	(8.4%)	4,964	4,951	0.3%	6,993

**Outlook and Recommendations:**

The company has reported a muted performance for the quarter under review. As guided by the management in the previous quarter, the performance of the company was impacted by the rising crude oil prices and subsequent depreciation of the rupee. As a result of which the year ending too will be more or less flat when compared to the previous year. Castrol India aims to stick to its strategy, key partnership, new launches, profitable volumes growth etc; the company will revive only with stable crude oil and base oil prices. To put the records straight shareholders have also enjoyed 1:1 bonus. Considering the recent headwinds, we downsize the target price to Rs200 ex-bonus over a horizon of 12 months.

#### DISCLAIMERS AND DISCLOSURES-

Progressive Share Brokers Pvt. Ltd. and its affiliates are a full-service, brokerage and financing group. Progressive Share Brokers Pvt. Ltd. (PSBPL) along with its affiliates are participants in virtually all securities trading markets in India. PSBPL started its operation on the National Stock Exchange (NSE) in 1996. PSBPL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) for its stock broking services and is Depository Participant with Central Depository Services Limited (CDSL) and is a member of Association of Mutual Funds of India (AMFI) for distribution of financial products. PSBPL is SEBI registered Research Analyst under SEBI (Research Analysts) Regulations, 2014 with SEBI Registration No. INH00000859. PSBPL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years. PSBPL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

PSBPL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Progressive Share Brokers Pvt. Ltd. (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company (s) covered in this report:-

- PSBPL or its associates financial interest in the subject company: NO
- Research Analyst (s) or his/her relative's financial interest in the subject company: NO
- PSBPL or its associates and Research Analyst or his/her relative's does not have any material conflict of interest in the subject company. The research Analyst or research entity (PSBPL) has not been engaged in market making activity for the subject company.
- PSBPL or its associates actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: NO
- Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: NO
- PSBPL or its associates may have received any compensation including for brokerage services from the subject company in the past 12 months. PSBPL or its associates may have received compensation for products or services other than brokerage services from the subject company in the past 12 months. PSBPL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Subject Company may have been client of PSBPL or its associates during twelve months preceding the date of distribution of the research report and PSBPL may have co-managed public offering of securities for the subject company in the past twelve months.
- The research Analyst has served as officer, director or employee of the subject company: NO

PSBPL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our sales people, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses (if any) may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution publication, availability or use would be contrary to law or regulation or which would subject PSBPL or its group companies to any registration or licensing requirement within such jurisdiction. If this document is sent or has reached any individual in such country, especially, USA, the same may be ignored. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of PSBPL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of PSBPL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

#### Terms & Conditions:

This report has been prepared by PSBPL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of PSBPL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. PSBPL will not treat recipients as customers by virtue of their receiving this report.

Registered Office Address:  
Progressive Share Brokers Pvt. Ltd,  
122-124, Laxmi Plaza, Laxmi Ind Estate,  
New Link Rd, Andheri West,  
Mumbai-400053;  
www.progressiveshares.com  
Contact No.022-40777500.

Compliance Officer:  
Mr. Shyam Agrawal,  
Email Id: compliance@progressiveshares.com,  
Contact No.:022-40777500.